

SUBJECT: Notification Requirements Under
Regulation B of the Equal Credit Opportunity Act

TO: Rural Development State Directors, Rural Development Managers and Community
Development Managers and All Staff Administering Section 502
and 504 Programs

PURPOSE/INTENDED OUTCOME:

To comply with the open recommendations made as a result of the Section 504 Management Control Reviews conducted during Fiscal Year 2000, the Civil Rights Staff is issuing this Administrative Notice.

The open recommendations are as follows:

1. Issue directives to all field office personnel specifying adherence to the 30-day notification requirement established in Regulation B of the Equal Credit Opportunity Act.
2. Issue directives to all field personnel providing guidance regarding compliance with the ECOA requirements when issuing withdrawals of incomplete applications.

COMPARISON WITH PREVIOUS AN:

There is no previous AN addressing this subject.

IMPLEMENTATION RESPONSIBILITIES:

Regulation B of the Equal Credit Opportunity Act (ECOA) requires the Agency to notify an applicant in writing of action taken within 30 days after receiving a completed application concerning the creditor's approval of, counteroffer to, or adverse action on the application.

EXPIRATION DATE:
February 29, 2004

FILING INSTRUCTIONS:
Preceding RD Instruction 1901-E

According to Handbook-1-3550, Chapter 3, Section 3.5, an application is complete if Form RD 410-4, Uniform Residential Loan Application is signed/dated on pages 5 and 7, all applicable information on Form RD 410-4 has been provided, and all adult household members have signed Form RD 3550-1, Authorization to Release Information. To conform to this requirement, Handbook Letter 2, "Pre-Eligible", should be sent to the applicant within the specified time span if it appears as though the applicant qualifies and funding is not available. If funding is available, Handbook Letter 11, "Selected for Processing/Request Information", should be sent to the applicant. In cases where the determination results in an adverse action, Handbook Letter 15, "Standardized Adverse Decision Letter", should be sent to the applicant along with the appropriate attachment (1-B or 1-C). Please note that the adverse decision letter can only be issued after the Loan Originator certifies the accuracy of the information provided and/or a residential mortgage credit report is obtained if the decision is tied to credit worthiness.

Regulation B of the ECOA also requires the Agency to notify an applicant in writing within 30 days when a pre-qualification review that utilized an infile credit report in the analysis reveals possible obstacles to the applicant's eligibility. With the publication of the 7 CFR 3550 Final Rule, which is expected to occur prior to January 1, 2003, Handbook Letter 19, "Preliminary Application", will be available to notify the applicant of the need to discuss the results of this unofficial review. If the applicant provides pertinent information via the telephone only and the preliminary credit check was not performed, the Agency can orally inform the applicant of the unofficial results.

Under Regulation B, Rural Development has to notify the applicant of the need for additional information. This is accomplished by using Handbook Letter 11. If the applicant fails to furnish the requested information within the allotted amount of time, Rural Development shall have no further obligation.

Rural Development Offices are not authorized to compose their own SFH notification letters; the handbook letters must be utilized. We encourage State Offices to work closely with their State Civil Rights Coordinator/Manager to ensure compliance with ECOA.

(Signed by Arthur A. Garcia)

ARTHUR A. GARCIA

Administrator

Rural Housing Service